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Saudi Businessman in Iran Affair Tells of 'Playing Games' With U.S. Aides

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An Attempt to Mislead Is Laid to Khashoggi

There was no independent means of confirming Mr. Khashoggi's account of the deception of Mr. Casey, or of the other "games" he says he played with American officials. Federal investigators confirm, however, that Mr. Khashoggi tried to mislead them about the location of his financial records.

Mr. Furmark arranged Mr. Khashoggi's meeting with a reporter from The New York Times, asserting that the two men were motivated by a desire to be open about their roles in the Iran-contra affair.

The F.B.I., conforming to its normal procedures during an investigation, declined comment on Mr. Khashoggi's remarks about his records. But a Federal law-enforcement official with knowledge of the Iran-contra investigation understood that there had been communication between the Justice Department and the Saudi Embassy in Washington regarding permission to seek the records in Saudi Arabia.

He declined to elaborate, but he added that Mr. Khashoggi had presented "pretty wild stories" about the location of his financial records and assets.

"As best we can tell from Khashoggi," the official said, "his records might be in the dunes of Arabia, and they might be on the dark side of the moon."

Following the Complex Trail of Money

The interviews here and a review of some selected documents that Mr. Khashoggi and Mr. Furmark permitted this reporter to examine indicated that the flow of money in and out of Lake Resources, the Panama-registered shell company used by Lieut. Col. Oliver L. North, the former National Security Council aide, and his associates, are far more complicated than previously known.

The records show that a number of previously unpublicized Khashoggi companies — such as Trivert and Garnet — were used to transfer money to both Lake Resources and Mr. Ghorbanifar.

Documents in the report of the Tower Commission, which was appointed by President Reagan, indicate that Mr. Khashoggi was at the same time receiving money from both Lake Resources and Mr. Ghorbanifar.

Mr. Khashoggi said Mr. Ghorbanifar asked him in 1986 to raise \$100 million for the contras from the Saudi royal family so that he and Mr. Khashoggi could gain "influence in Washington." Mr. Ghorbanifar made the suggestion when the Administration was quietly seeking alternative funding for the contras, after Congress had declined to authorize \$100 million in aid.

Mr. Khashoggi said he rejected Mr. Ghorbanifar's proposal, but that the two men later planned to split a \$100 million sale of American missiles to Iran with the guerrillas fighting the Soviet-backed Afghan Government. Mr. Khashoggi said that under the scheme, which never came to fruition, half of the missiles would have been delivered to the Afghan guerrillas and half to the Iranian Government.

The information provided by Mr. Khashoggi indicates that Saudi money was the principal source of funds for the Iran arms sales, and that the money from the Iran sales in turn supported private operations by Colonel North and his associates, including support for the contras. Both Mr. Khashoggi and Mr. Furmark continue to deny any knowledge of the diversion of proceeds from the Iranian arms sales.

A Casey Friend Planted False Story

Crucial questions about the money from the Iran arms deals remain unanswered. What, for example, were the sources and amounts of funds available for diversion and where did they end up?

During the interview, Mr. Khashoggi seemed to revel in the games he had played with American officials, portraying the complicated series of financial transactions and occasional mistatements to Americans as good financial sport.

In his discussion of the way he said he misled Mr. Casey, Mr. Khashoggi said the story about the angry Canadian investors

who wanted their \$10 million back was planted last fall with Mr. Casey by Mr. Furmark, a longtime friend of Mr. Casey.

Mr. Khashoggi said the story was intended to increase pressure on the Reagan Administration to reimburse the \$10 million to Mr. Khashoggi, so he could repay an associate.

Mr. Furmark was not aware that there were no Canadian investors when he met with Mr. Casey, Mr. Khashoggi and Mr. Furmark asserted. The money came not from Canadians, Mr. Khashoggi said, but from a Saudi business associate, whom Mr. Khashoggi declined to identify.

Mr. Furmark's discussion with Mr. Casey about the Canadian investors helped start inquiries by the C.I.A. and Congressional investigators of the Iran-contra arms sales.

Two Canadian associates of Mr. Khashoggi's, Ernest Miller and Donald Fraser, administer a Cayman Islands company through which the \$10 million in Saudi funds passed. Their names were the ones mentioned when Mr. Furmark made his disclosures last fall.

PARIS, March 8 — The Saudi businessman who helped finance the sale of arms to Iran, Adnan Khashoggi, says he played "games within games" with William J. Casey, the former Director of Central Intelligence, and with other American officials involved in the Iran-contra affair.

Mr. Khashoggi, accompanied by a business associate, Roy Furmark, described some of these "games" that resulted in the deception of United States officials and agencies in a long interview in his apartment here over the weekend.

Mr. Khashoggi's account this weekend of his role in the sales of American arms to Iran differed in some respects from his previous public statements. The Saudi financier's shifting stories, given in rare interviews, are as complex as the layers of corporations and financial transactions that financed the arms sales, and the subsequent diversion of some of the profits from those sales to the Nicaraguan rebels.

According to the interview and a review of some documents provided by Mr. Khashoggi, these were some of the "games" he played:

Mr. Khashoggi said he masterminded a deliberate deception of Mr. Casey last fall, when Mr. Casey was still head of the Central Intelligence Agency, by inventing a group of angry Canadian investors who were supposedly threatening to disclose the Administration's secret arms sales to Iran unless they were immediately reimbursed for a \$10 million contribution to a \$15 million arms sale to Iran last May.

Mr. Khashoggi said he toyed with F.B.I. officials by telling them that his financial records were buried in the sand under seven hills in the Saudi Arabian desert. Mr. Khashoggi said the F.B.I. took him seriously and wrote to the Saudi Ambassador in Washington to try to recover his records.

Mr. Khashoggi said that he had quietly bankrolled the Iranian middleman, Manucher Ghorbanifar, throughout his involvement in the secret arms deals and that he had also introduced Mr. Ghorbanifar to the Israelis. They, in turn, passed Mr. Ghorbanifar on to American officials, who used him as an intermediary in the arms sales. Mr. Khashoggi disclosed that at one point he had taken out a short-term insurance policy on Mr. Ghorbanifar's life.

He said Federal investigators had been able to find and freeze only six of his bank accounts, totaling \$60 million in assets. But he said investigators had not been able to locate all of his accounts and did not even know the names of all the accounts.

The interviews with Mr. Khashoggi and Mr. Furmark in Paris this weekend came after the release of the Tower Commission report, which said the United States used unreliable individuals to plan and carry out the sale of weapons to Iran.

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Amid Perrier, Anger Over the Tower Report

Mr. Khashoggi, who likes to parry with those seeking to unravel his finances, seemed relaxed throughout the evening of interviews, a gracious host who showered his guests with nuts, condiments, Perrier and arak, a strong Middle Eastern alcoholic drink.

He was repeatedly interrupted by aides, telephone callers and other visitors. After meeting with a visiting oil minister from the Persian Gulf, Mr. Khashoggi slipped away to change from a finely tailored Western business suit into a long, flowing, white caftan that is Saudi Arabia's national dress.

Some of Mr. Khashoggi's angriest comments were reserved for the Tower Commission. He denied a finding in the commission's report that he had billed both Mr. Ghorbanifar and Lake Resources for \$20 million in payments for the arms sales.

He said he was not aware that "personal" funds from the Saudi royal family had been the largest source of financing for the rebels in Nicaragua over the last two years, a conclusion that is hinted at in the Tower report. After the report was released, sources familiar with testimony before the commission said the third country referred to as being the largest source of contra financing was Saudi Arabia.

Mr. Khashoggi has enjoyed a close relationship with various members of the royal family. The role of Mr. Khashoggi and Saudi officials in arms sales by American companies to Saudi Arabia prompted many investigations in the 1970's, though Mr. Khashoggi was never accused of a crime.

He characterized his current relationship with the Saudi Government, as well as with other Arab nations, as ambiguous, warm when his efforts at private diplomacy succeed and cool when they do not.

Mr. Khashoggi said he had made King Fahd aware of his intentions to improve relations between the United States and Iran from the beginning, but that the King did not want to get involved because it was too risky and sensitive.

A Fable About Records Buried in Saudi Sands

Mr. Khashoggi said he was pleased that "my country did not issue a statement saying we don't know you" or take back his passport after it became publicly known that he was dealing with Israel and Iran, both officially shunned by Saudi Arabia.

In the case of Iran, evidence in the Tower Commission report and elsewhere shows that Saudi Arabia was quietly improving its relations with Iran, at least partly in tandem with the secret United States initiative.

Now, Mr. Khashoggi said, the United States had asked his country for help in getting information on his role in the Iran arms sales. Federal officials, he said, had asked Prince Bandar, the Saudi Ambassador in Washington, about gaining access to his records, a request that Mr. Khashoggi suggested may have been prompted by a jest he made to an F.B.I. agent. Mr. Khashoggi said he had told the agent that his records were buried in the sand under seven hills in Arabia.

Mr. Khashoggi said the remark had been a joke, but he also said he had been "mean" to the F.B.I. agent who interviewed him.

Some of Mr. Khashoggi's bank accounts have been frozen in Switzerland at the request of the United States — six accounts containing some \$60 million, he said. Mr. Furmark said other related accounts in the United States may also have been blocked. Mr. Khashoggi complained that the two-month freeze had forced his American companies to petition for restructuring under Federal bankruptcy statutes.

But, he added with a smile, Federal investigators had not been able to locate all of his accounts since they do not know their whereabouts, or even the names of all of his companies.

"Some we were lucky, some we were not so lucky," Mr. Khashoggi said of the requests to freeze assets.

A Bewildering Blur Of Bank Transactions

Some of Mr. Khashoggi's records are stored in Geneva, at Management and Control Inc., a Khashoggi-controlled company that handles his accounting and banking records. Sammy Fadel, the head of the company, which occupies an entire floor of a downtown office building, declined to discuss any of Mr. Khashoggi's financial affairs or to make available any additional records.

The records made available by Mr. Khashoggi at the interview, compiled by Mr. Fadel and his associates, reveal an almost indecipherable series of transactions. They show that Mr. Khashoggi transferred \$25 million into the Lake Resources account in the Credit Suisse bank in Geneva in 1986.

The transfers came from various personal accounts, as well as from corporate accounts called Trivert and Garnet, some at Credit Suisse and at other banks in Monte Carlo, where the United States does not enjoy the kind of access to banking records that it has with Switzerland.

The records further indicate that Mr. Ghorbanifar paid \$20 million to Mr. Khashoggi, apparently repayment for \$25 million Mr. Khashoggi had advanced to Lake Resources; \$8 million to the accounts that funded Lake Resources; issued one \$3 million check, whose recipient was not specified; and wrote three other checks totaling \$9 million to two other companies, Kremdale and Galliot.

Mr. Furmark, who tried to explain the recorded transactions to this reporter, said Mr. Khashoggi had told him that Kremdale, Trivert, Garnet and Galliot were all Mr. Khashoggi's companies.

"Who knows how many companies he has?" Mr. Furmark said in an interview on Saturday.

The documents also show that Mr. Khashoggi paid money directly to Mr. Ghorbanifar. For example, a check for \$533,250 drawn on the account of Garnet on April 16, 1986, was described by Mr. Furmark as reimbursement of Mr. Ghorbanifar's expenses. Mr. Khashoggi said, moreover, that he had bankrolled Mr. Ghorbanifar, and that last May he had taken out a \$22 million short-term life insurance policy on the Iranian, whom he described as his partner and "contact."

Denial on Threat To Kill Ghorbanifar

The Tower report reproduced a memo by Colonel North dated July 30, 1986, suggesting that if the Iranians didn't receive an expected shipment of weapons, "Ghorbanifar will be killed by his creditors (they are the beneficiaries of a \$22 million life insurance policy)."

Mr. Furmark and Mr. Khashoggi denied this suggestion as well as many other statements contained in the Tower report. Mr. Khashoggi said, for example, that he knew nothing about \$40 million to \$59 million that the commission said had been paid to Mr. Ghorbanifar for an aborted missile sale in November 1985.

Mr. Khashoggi said that he had spoken in recent days with Mr. Ghorbanifar, Mr. Furmark and Amiram Nir, the Israeli adviser involved in the Iran sales, and that they all agreed that the Tower Commission and the Senate Intelligence Committee had erred in stating that millions of dollars in profits from the American arms sales to Iran had moved through Mr. Ghorbanifar to Mr. Nir and Mr. Khashoggi. Mr. Ghorbanifar could not be reached for comment.

Mr. Khashoggi, said by Mr. Furmark to have few records of the affair, said he considered Mr. Ghorbanifar "the most fascinating man I've ever known," except, he joked, for himself.